

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Tuesday, January 08, 2013

SUBJECT	DESCRIPTION	PRESENTER
	Organizational meeting	

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 08, 2013

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None

GUESTS: Derek Santos, DFM, Nathaniel Clayville, DFM

Chairman Collins called the meeting to order at 9:30 am.

Chairman Collins welcomed the committee and expressed appreciation to everyone for attending. Introductions were conducted and each member provided a brief bio to the committee.

Chairman Collins announced that there will be a Tax 101 class, January 16 - 17th, 3-5 p.m. in the Senate Auditorium.

Chair Collins indicated that the whole committee will review the pending rule changes, starting tomorrow and continuing on Thursday, January 10th. There will not be a meeting on Friday.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:01 a.m.

Representative Collins
Chair

Kathleen Simko
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 09, 2013

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos:	Review of Rules from the State Tax Commission	
<u>35-0101-1201</u>	State Income Tax	Cynthia Adrian
<u>35-0101-1202</u>		
<u>35-0102-1201</u>	State Sales Tax	McLean Russell
<u>35-0109-1201</u>	Table and Kitchen Wine Tax	McLean Russell
<u>35-0110-1201</u>	Idaho Cigarette and Tobacco Products Tax	McLean Russell
<u>35-0112-1201</u>	Idaho Beer Tax	McLean Russell
<u>35-0201-1201</u>	Administration and Enforcement Rules	Cynthia Adrian

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 09, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Cynthia Adrian, Idaho State Tax Commission; McLean Russell, Idaho State Tax Commission; Russell Westerberg, Westerberg & Associates; Raeleen Welton, Westerberg & Associates, Ed Hawley, Admin. Rules; N.C. Clayville, DFM; Michael Chakarun, Idaho State Tax Commission; Benjamin Davenport, Associated Taxpayers; Steve Wynn, Idaho State Tax Commission; Ken Roberts, Idaho State Tax Commission; Tony Smith, Benton Ellis; Bert Manley, Idaho Education Association.

Chairman Collins called the meeting to order at 9:00 a.m.

DOCKET NO. 35-0101-1201: **Cynthia Adrian**, Idaho Tax Commission, presented **Docket No. 35-0101-1201**, Income Tax Administrative Rules.

MOTION: **Rep. Wood (35)** made a motion to approve **Docket No. 35-0101-1201**. **Motion carried by voice vote**. **Rep. Barrett** requested to be recorded as voting **NAY**.

DOCKET NO. 35-0101-1202: **Cynthia Adrian**, Idaho Tax Commission, presented **Docket No. 35-0101-1202**, Income Tax Administrative Rules.

MOTION: **Rep. Wood (35)** made a motion to approve **Docket No. 35-0101-1202**. **Motion carried by voice vote**.

DOCKET NO. 35-0201-1201: **Cynthia Adrian**, Idaho Tax Commission, presented **Docket No. 35-0201-1201**, Administration and Enforcement Rules.

MOTION: **Rep. Burgoyne** made a motion to approve **Docket No. 35-0201-1201**. **Motion carried by voice vote**.

DOCKET NO. 35-0102-1201: **McLean Russell**, Idaho Tax Commission, presented **Docket No. 35-0102-1201**, Sales Tax Administrative Rules.

Chairman Collins recognized **Mike Chakarun**, Idaho Tax Commission, who clarified that the changes requested are consistent with the application of the statute. **Rep. Moyle** asked which statute this rule is associated with. **Mr. Russell** responded that **Idaho Statute 63-36-12, subsection 2 (h)** deals with the lease or rental of tangible personal property. **Idaho Statute 63-36-19** addresses the imposition and rate of sales tax. **Rep. Burgoyne** asked if Rule 37 was a negotiated rule. **Mr. Russell** stated that it was a negotiated rule. Due to time constraints, the presentation concluded and will continue on Thursday, January 10th.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:19 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 10, 2013

SUBJECT	DESCRIPTION	PRESENTER
<u>RS21644</u>	Income Taxes, Internal Revenue Code	Mike Chakarun, Idaho Tax Commission
Docket No. <u>35-0102-1201</u>	Sales Tax	
Docket No. <u>35-0109-1201</u>	Table and Kitchen Wine Tax	McLean Russell
Docket No. <u>35-0110-1201</u>	Idaho Cigarette and Tobacco Products Tax	McLean Russell
Docket No. <u>35-0112-1201</u>	Idaho Beer Tax	McLean Russell

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 10, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Jan Sylvester; McLean Russell, Idaho State Tax Commission; Russell Westerberg, Truth-Justice & America; Michael Chakarun, Idaho State Tax Commission; N.L. Clayville, DFM; Ed Hawley, Admin. Rules; Steve Borah; Raeleen Welton, Westerberg & Associates; Ken McClure, ISCPA; Ben Davenport, Associated Taxpayers; Lyn Darrington, Gallatin Public Affairs; Tony Smith, Benton Ellis; Bert Marley, IEA; Jennifer Visser, Gallatin PA.

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Meline** made a motion to approve the minutes of the January 8, 2013 meeting. **Motion carried by voice vote.**

RS 21644: **Mike Chakarun**, Tax Policy Manager, Idaho State Tax Commission presented **RS 21644**. This is an annual conformity bill which updates references to the Internal Revenue Code. Mr. Chakarun explained what a conformity bill does. The fiscal impact is estimated to be \$6 million in fiscal 2013.

MOTION: **Rep. Raybould** made a motion to introduce RS 21644 and send it directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Raybould** will sponsor the bill on the floor.

Chairman Collins introduced Page **Shannon Cooper** to the Committee.

DOCKET NO. 35-0102-1201: **McLean Russell**, Idaho State Tax Commission, continued presentation of **Docket No. 35-0102-1201**, Sales Tax. Rule 37 subsection 02. a. This will have no impact on any of the scheduled commercial airlines. Rule 43, Sales Price or Purchase Price Defined. Rule 44, Trade-Ins, Trade-Downs and Barter; Rule 72, Application and Payment of Use Tax; Rule 95, Money-Operated Dispensing Equipment; Rule 109, Amusement Devices; Rule 128, Certificates for Resale and Other Exemption Claims.

MOTION: **Rep. Wood (35)** made a motion to approve **Docket No. 35-0102-1201** as presented. **Motion carried by voice vote.** **Rep. Barrett** and **Rep. Burgoyne** requested to be recorded as voting **NAY**.

DOCKET NO. 35-0109-1201: **McLean Russell**, Idaho State Tax Commission, presented **Docket No. 35-0109-1201**, Table and Kitchen Wine Tax. Rule 14, Security For Tax Required.

MOTION: **Rep. Wood (35)** made a motion to approve **Docket No. 35-0109-1201** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0110-1201: **McLean Russell**, Idaho State Tax Commission, presented **Docket No. 35-0110-1201**, Idaho Cigarette and Tobacco Products Tax. Rule 17, Security for Tax Required. **Mike Chakarun**, Idaho State Tax Commission, stated that the issues of the Treasury Bills being accepted as security collateral and use of the word 'should' will carry through the various rules; wine, cigarette and beer, and tobacco.

MOTION: Rep. Meline made a motion to approve **Docket No. 35-0110-1201** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0112-1201: McLean Russell, Idaho State Tax Commission, presented **Docket No. 35-0112-1201**, Idaho Beer Tax. Rule 13, Security for Tax Required. Rule 17, Beer Tax and Returns Reports.

MOTION: Rep. Kauffman made a motion to approve **Docket No. 35-0112-1201** as presented. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:53 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 14, 2013

SUBJECT	DESCRIPTION	PRESENTER
Docket No. 35-0103-1202	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 14, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Terry Accordino, Micron; N.L. Clayville, DFM; Alan Dornfest, Idaho State Tax Commission; Bert Marley, Idaho Education Association; Phil Homer, IASA; Jeremy Pisca, Risch Pisca; Raeleen Welton, Westerberg & Associates; Benjamin Davenport, ATI; Jesse Taylor.

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Wood (35)** made a motion to approve the minutes of January 9, 2013. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1202: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1202**. Rule 605 is a new rule, developed in conjunction with the County Assessors and Terry Accordino, at Micron Technology, which clarifies portions of the exemption for real or personal property that is used for educational purposes. In response to questions from the committee, Mr. Dornfest states that the applicant/owner does not have to be a nonprofit, however, the lessee does have to meet that criteria.

MOTION: **Rep. Meline** made a motion to approve **Docket No. 35-0103-1202**. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1203: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1203**. Rule 131 is being amended to ensure consistency with national standards in how the equalization ratio is used where sales comprise more than 20% in any primary category and excludes vandalized property. Mr. Dornfest stated that the primary use of this ratio is to test the overall assessment and ensure they are at market value.

Rule 608 is being proposed in order to be responsive to the statutory changes with implementation and provisions of **HB 584** and addresses homeowner's tax exemption after the death of an applicant. Rule 608 provides a one year extension, regardless of occupancy.

Rep. Trujillo stated she takes objection to the occupancy portion of this rule and the property could potentially be used as a rental. **Mr. Dornfest** recommended a statutory remedy and clarified that the homeowner's exemption stays with the property, so any rented property would lose the exemption after one year.

Rule 630 is an amendment regarding tax exemptions for new capital investments. The proposed change ensures compliance with **HB 356** dealing with tax exemption for new capital investments in excess of \$1 billion dollars.

In response to questions, **Mr. Dornfest** stated that new capital investments are only taxed on the initial \$400 million and any amount above that is exempt. The \$1 billion is the amount that must be spent and does not represent the value of the investment.

Rule 995 is being amended to specify the Census Bureau tables that can be used to determine and update population for the distribution of sales tax. Further clarification is made as to whether current census data or estimates could be used. Valuation estimates are updated annually, but population estimates may be updated quarterly.

MOTION:

Rep. Wood (35) made a motion to approve **Docket No. 35-0103-1203**.

**SUBSTITUTE
MOTION:**

Rep. Trujillo made a motion to approve **Docket No. 35-0103-1203** with the exception of subsection 608.02. **Motion failed by voice vote.**

**VOTE ON
ORIGINAL
MOTION:**

Chairman Collins called for a vote on the original motion. **Motion carried by voice vote.** **Rep. Trujillo** requested she be recorded as voting **NAY**.

**DOCKET NO.
35-0103-1204:**

Alan Dornfest, presented **Docket No. 35-0103-1204**. Rule 600 is a new rule providing guidance on implementation of **HB 356**, which deals with procedures on granting property tax exemptions and confidentiality of information.

Rule 803 is being amended to implement provisions of **HB 697**. Section 63-1305A Idaho Code requires that taxing districts must first fully utilize maximum budget tax permitted, before exercising a levy. Under this amendment, the district will be considered in compliance if, despite additional unused budget capacity, every fund used levies at the maximum levy rate or maximum permitted amount. The Idaho State Tax Commission legal staff, under direction of the AG, have reviewed the proposed language and believe it is consistent with intent and language of the rule.

MOTION:

Rep. Meline made a motion to approve **Docket No. 35-0103-1204**. **Motion carried by voice vote.**

**DOCKET NO.
35-0103-1205:**

Alan Dornfest, Idaho State Tax Commission, presented **Docket No. 35-0103-1205**. Rule 218, Assessor's Plat Book. This rule permits the assessor's plat book to update the manual of surveying instructions to permit maps maintained by digital or ink format.

**DOCKET:
35-0103-1207:**

Alan Dornfest, Idaho State Tax Commission, presented **Docket No. 35-0103-1207**. Rule 000, Legal Authority, is being amended to update statutory cross references. Rule 003, Administrative Appeals, is being amended to update statutory references. Rule 006, Incorporation By Reference, is being amended to update references to current editions of reference materials.

Rule 225, Newly Organized or Altered Taxing Districts, is being amended to remove the requirement for dissolving taxing districts, typically Urban Renewal Districts, to provide maps. In response to discussion and questions, **Mr. Dornfest** noted that a map is required on the formation of taxing districts as well as any amendment.

Rule 313, Assessment of Transient Personal Property, is being amended to clarify taxation of transient personal property proration if property was taxed in another state. In response to questions, **Mr. Dornfest** yielded the podium to **Mr. Steve Fiscus** - Administrator for Property Tax Administration, Idaho State Tax Commission. Mr. Fiscus stated that if tax was paid in another state, it was not always prorated by Idaho.

Rule 404, Operators Statement - Contents, clarifies that pipelines and gathering lines for natural gas are considered part of taxable and appraisal by tax commission. **Mr. Dornfest** stated that the proposed change did not go through negotiated rule process as they were felt to be entirely statutory.

Rule 509, Partial Exemption Values, is being amended rule to provide for the value of site improvement exempt under section 63-602W(4), Idaho Code, as provided in **HB 519**. Rule 510, Secondary Categories For Land, deletes a category that is no longer used. Rule 511, Secondary Categories For Improvements, deletes an unused or obsolete categories.

Rule 612, Property Exempt From Taxation, clarifies that recreational vehicles wider than 8 1/2 feet cannot be licensed by Idaho Department of Transportation and which would be subject to property tax. Rule 619, Property Exempt from Taxation - Facilities for Water or Air Pollution Control, is an amendment to eliminate confusing language and clarifies the application procedure for tax exemption of water or air pollution control.

Rule 802, Budget Certification Relating To New Construction And Annexation, this is an amendment to comply with requirements of **HB 519** addresses how the computations for deduction for value of site improvement from new construction roll is made.

- MOTION:** **Rep. Hartgen** made a motion to approve **Docket No. 35-0103-1207** with the exception of **Subsection 225.03, paragraphs a and b.**
- SUBSTITUTE MOTION:** **Rep. Moyle** made a motion to approve **Docket No. 35-0103-1207.**
- ORIGINAL MOTION:** **Rep. Hartgen** withdrew his original motion.
- VOTE ON SUBSTITUTE MOTION:** **Chairman Collins** called for a vote on the substitute motion. **Motion carried by voice vote.**
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:44 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 15, 2013

SUBJECT	DESCRIPTION	PRESENTER
Docket No. 35-0103-1205	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
RS21613	Deductions of Certain Losses for Idaho Tax Purposes	Mike Chakarun, Idaho State Tax Commission
RS21616	Identity Theft and Release of Information by Idaho Tax Commission	Mike Chakarun, Idaho State Tax Commission
RS21624	Technical Corrections to Idaho Income Tax	Mike Chakarun, Idaho State Tax Commission
RS21645	Wholesale Cigarette Tax	Mike Chakarun, Idaho State Tax Commission
RS21647	Foreign Language Translation for Tax Information	Mike Chakarun, Idaho State Tax Commission

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 15, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** Rep. Moyle

GUESTS: Brad Carlson, Idaho News Service; Mike Chakarun, Idaho State Tax Commission; Alan Dornfest, Idaho State Tax Commission; David Langhorst, Idaho State Tax Commission; N.L. Clayville, DFM; Raeleen Welton, Westerberg & Associates; Brody Aston, Lobby Idaho; Derek Santos, DFM; John Eaton, RFactors; Russell Westerberg, Local Government.

Chairman Collins called the meeting to order at 9:02 a.m.

MOTION: **Rep. Anderst** made a motion to approve the minutes of the January 10, 2013 meeting. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1205: **Alan Dornfest**, Idaho State Tax Commission, clarified that if **Docket No. 35-0103-1205** is passed, the grammatical error in **Subsection 218.01** will be subsequently corrected by the Department of Administration.

MOTION: **Rep. Raybould** made a motion to approve **Docket No. 35-0103-1205** as presented. **Motion carried by voice vote.**

RS 21613: **Mike Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 21613** which would add a new section allowing a deduction for specific losses, commonly known as Ponzi type scheme. Unless sufficient income is earned in the year of the loss, the full deduction may not be taken. This is a fairness bill that would not tax the recovery of losses if recovered in a subsequent tax year.

MOTION: **Rep. Wood (35)** made a motion to introduce **RS 21613**. **Motion carried by voice vote.**

RS 21616: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21616** which proposes giving the Idaho State Tax Commission authority to release certain information to an individual, when theft of their identity has occurred.

MOTION: **Rep. Denney** made a motion to introduce **RS 21616**. **Motion carried by voice vote.**

RS 21624: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21624** which is an income tax technical correction bill.

MOTION: **Rep. Wood (35)** made a motion to introduce **RS 21624**. **Motion carried by voice vote.**

RS 21645: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21645** which relates to wholesale cigarette tax and when a permit is required. This would allow the Idaho State Tax Commission to track movement of cigarettes in Idaho and continue to receive annual payment from the Master Settlement Agreement.

MOTION: **Rep. Anderson (31)** made a motion to introduce **RS 21645**. **Motion carried by voice vote.**

RS 21647: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21647**. This would amend **Idaho Code section 73-121** and permit the Idaho State Tax Commission to translate tax information into other languages, allowing taxpayers to more fully comply with their income tax obligations. Mr. Chakarun believes that they can accomplish this utilizing current staffing and budget resources.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 21647**. **Motion carried by voice vote**. **Rep. Barrett** requested being recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:38 a.m.

Representative Collins
Chair

Kathleen Simko
Secretary

AMENDED AGENDA #3
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 16, 2013

SUBJECT	DESCRIPTION	PRESENTER
HB 0001	Income taxes, Internal Revenue Code	Mike Chakarun, Idaho State Tax Commission
<u>RS21648</u>	Technical corrections to Idaho Sales Tax Act	Mike Chakarun, Idaho State Tax Commission
<u>RS21649</u>	Amendment to Idaho Sales Tax Act	Mike Chakarun, Idaho State Tax Commission
<u>RS21653</u>	Property tax assessment on Section 42 Housing	Alan Dornfest, Idaho State Tax Commission
<u>RS21658</u>	Idaho Sales Tax Act clarification on definitions	Mike Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 16, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None

GUESTS: Mike Chakarun, Idaho State Tax Commission; N.L. Clayville, DFM; Benjamin Davenport, Associated Taxpayers; Alan Dornfest, Idaho State Tax Commission; Ken McClure, ISCPA; Melissa Nelson, ISCPA; Raeleen Welton, Westerberg & Assoc.; Russell Westerberg

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Kauffman** made a motion to approve the minutes of January 14, 2013.
Motion carried by voice vote.

H 1: **Mike Chakarun**, Idaho State Tax Commission, presented **H 1**. He made note of the negative fiscal impact of \$6 million dollars. The fiscal impact of this bill is actually an estimated range between \$4-8 million dollars and it cannot be depreciated over time. He said this bill does not relate to Patient Protection or the Affordable Care Act. He also made mention that Section 2 of this bill allows provisions for refund claims to FAA airline employees.

Mr. Chakarun confirmed this bill does not conform to the bonus appreciation. He explained that Section 179 of the Idaho Tax Code refers to how much can be invested by a tax payer. He said bonus appreciation was put in place so everyone could apply it. He also said without this bill, the taxpayer will have to keep two records, have two accounting expenses and two sets of depreciation records.

Ken McClure, Idaho Society of Public Accountants, urged the committee to pass this bill stating efficient tax bills are good. He said it will create an unnecessary complication if this bill does not pass.

In response to questions **Mr. McClure** said the fiscal impact was for bonus appreciation conformity and it was a significant amount of money.

MOTION: **Rep. Moyle** made a motion to send **H 1** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Raybould** will sponsor the bill on the floor.

RS 21648: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21648**, which makes sales tax technical corrections for food purchased with food stamps. It changes the old federal act names to reflect the current name; Supplemental Nutrition Assistance Program (SNAP). He said there are no changes to the scope of the exemption or the food stamp program. Section 2 provides a use tax exemption of articles brought into the state by military members and their spouses.

MOTION: **Rep. Wood (35)** made a motion to introduce **RS 21648**. **Motion carried by voice vote.**

- RS 21649:** **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21649** stating this is an amendment relating to the addition of use tax to the Idaho Sales Tax Act. He said under the Idaho Sales Tax Act there is a duty to pay over any tax imposed upon taxpayers and this would include use tax. He mentioned they use the term responsible parties and this should clarify that use tax is also a duty to be enforced.
- In response to questions regarding whether there was a use tax on production materials, **Mr. Chakarun** stated yes but this RS would not fall under that category.
- MOTION:** **Rep. Raybould** made a motion to introduce **RS 21649**. **Motion carried by voice vote.**
- RS 21653:** **Alan Dornfest**, Idaho State Tax Commission, presented **RS 21653** dealing with property tax assessment on low-income, Section 42 housing. He stated it is corrective language which provides the assessment of property taxes on Section 42 low-income housing. He said the requirement for determining income should be changed from net income to gross income.
- MOTION:** **Rep. Anderson(31)** made a motion to introduce **RS 21653**. **Motion carried by voice vote.**
- RS 21658:** **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21658**, which clarifies definitions in the Idaho Sales Tax Act. He stated it tries to draw brighter lines in the sales tax law. The words primary and primarily are to be defined as the greatest use of the property. For example, if taxable uses for a property are greater than nontaxable uses, it would be taxed.
- MOTION:** **Rep. Burgoyne** made a motion to introduce **RS 21658**. **Motion carried by voice vote.**
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:35 a.m.

Representative Collins
Chair

Jackie Wright
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 17, 2013

SUBJECT	DESCRIPTION	PRESENTER
<u>RS21650</u>	Aligning income tax withheld with employee W-2 reporting and paying periods.	Mike Chakarun, Idaho State Tax Commission
<u>RS21652</u>	Title 23 Alcoholic Beverages; reporting beer shipments	Mike Chakarun, Idaho State Tax Commission
<u>RS21654</u>	Distributing sales tax revenue codification	Alan Dornfest, Idaho State Tax Commission
<u>RS21656</u>	Idaho Property Tax Law technical corrections.	Alan Dornfest, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
Room: EW53
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 17, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Alan Dornfest, Idaho State Tax Commission; Mike Chakarun, Idaho State Tax Commission; Raeleen Welton, Westerberg & Associates; Benjamin Davenport, Associated Taxpayers; N.L. Clayville, DFM; Russell Westerberg, taxpayer; McKinsey Lyon, Gallatin.

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of January 15, 2013 with the following correction: page 1, RS 21645, second sentence, omitting the word 'a' between the words 'and' and 'when'. **Motion carried by voice vote.**

RS 21650: **Mike Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 21650** which would align the reporting and paying of Idaho income tax withheld to the same reporting period as employee W-2 forms. This legislation would impact only large employers in the state that have a split monthly filing of taxes.

MOTION: **Rep. Wood (35)** made a motion to introduce **RS 21650**. **Motion carried by voice vote.**

RS 21652: **Mike Chakarun**, Idaho State Tax Commission, presented **RS 21652** which makes technical corrections to Title 23 Alcoholic Beverages related to reporting of beer shipments by out-of-state brewers and manufacturers. This would eliminate a report that is no longer needed as the information is collected through other means.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 21652**. **Motion carried by voice vote.**

RS 21654: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 21654**. This legislation would clarify **H 372** regarding the distribution of sales tax revenue used by counties to fund elections. This would codify the current practice being followed under a Temporary Rule.

MOTION: **Rep. Moyle** made a motion to introduce **RS 21654** with the corrected Statement Of Purpose. **Motion carried by voice vote.**

RS 21656: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 21656** which makes several technical corrections to Idaho property tax law.

Subsection 1 requires taxing districts filing legal descriptions and maps of their boundaries to include contact information.

Subsection 2 would correct the date referred to in the occupancy statute to the same date found in the homeowner's exemption language.

Subsection 3 clarifies the requirement for abstracts of property tax roles that are prepared by county auditors to show increment values of revenue allocation areas.

Subsection 4 would provide an appeal of recovery of improperly granted homeowner's exemption.

Subsection 5 clarifies the date for filing a claim for the circuit breaker property tax relief to account for situations when a holiday falls on the usual filing deadline date.

Subsection 6 would extend the deadline to allow for corrections to erroneous property tax levies.

MOTION: **Rep. Meline** made a motion to introduce **RS 21656**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:28 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 22, 2013

SUBJECT	DESCRIPTION	PRESENTER
<u>H 2</u>	Deductions of Certain Losses for Idaho Tax Purposes	Mike Chakarun, Idaho State Tax Commission
<u>H 3</u>	Identity Theft and Release of Information by Idaho Tax Commission	Mike Chakarun, Idaho State Tax Commission
<u>H 4</u>	Technical Corrections to Idaho Income Tax	Mike Chakarun, Idaho State Tax Commission
<u>H 5</u>	Wholesale Cigarette Tax	Mike Chakarun, Idaho State Tax Commission
<u>H 12</u>	Technical Corrections to Idaho Sales Tax Act	Mike Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
Room: EW53
Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 22, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Mike Chakarun, Idaho State Tax Commission; Raeleen Welton, Westerberg & Associates; N.L Clayville, DFM; Derek Santo, DFM; Benjamin Davenport, Associated Taxpayers of Idaho; LeRoy Fiscus, ACLU of Idaho; McKinsey Lyon, Gallatin.

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Wood (35)** made a motion to approve the minutes of January 16, 2013.
Motion carried by voice vote.

MOTION: **Rep. Wood (35)** made a motion to approve the minutes of January 17, 2013.
Motion carried by voice vote.

H 2: **Mike Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 2**. This bill deals with deductions on Idaho Income Tax for specific losses that have been previously deducted for Federal tax purposes but might not have been claimed in Idaho. This situations arises when the taxpayer has not had sufficient income in the year the loss occurred to be able to complete an itemized Idaho tax return.

MOTION: **Rep. Kauffman** made a motion to send **H 2** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

H 3: **Mike Chakarun**, Idaho State Tax Commission, presented **H 3** which would allow the Idaho State Tax Commission to disclose information to victims of identity theft and assist them in recovery and filing necessary reports with law enforcement to reclaim their identity.

MOTION: **Rep. Raybould** made a motion to send **H 3** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson (31)** will sponsor the bill on the floor.

H 4: **Mike Chakarun**, Idaho State Tax Commission, presented **H 4**. This bill would make technical corrections to the Idaho Income Tax language.

Section 1 would be amended to specify that taxes which qualify for a tax credit paid to another state, must be added back to the income in order to be consistent with other taxes that qualify for the credit.

Section 2 replaces all references to "widow" with "widow and widower".

Section 3 specifies the qualification for energy efficiency deduction with the insertion of the word "primary" and words "in the state of Idaho".

Section 4 clarifies the deduction for technological equipment donations to either the lesser of fair market value or actual cost of the donation.

Section 5 modifies the statute of limitations in **Idaho Code, Section 63-3072**, related to claiming a refund to include reference to a new **Idaho Code, Section 63-3036B** regarding pass-through entities' backup withholding.

Section 6 provides an effective date of January 1, 2013 with the exception of section 3, which is retroactive to January 1, 2012, the effective date of the provision being amended.

MOTION: **Rep. Burgoyne** made a motion to send **H 4** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Burgoyne** will sponsor the bill on the floor.

H 5: **Mike Chakarun**, Idaho State Tax Commission, presented **H 5** which is a technical change to the permitting process for wholesale cigarette movement into and around Idaho. The clarification would help prevent inadvertent noncompliance, as a permit is only required of individuals actively engaged in making wholesale sales of cigarettes. This change would also ensure protection of Idaho's interest in the annual income received through the Master Settlement Agreement.

MOTION: **Rep. Meline** made a motion to send **H 5** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Meline** will sponsor the bill on the floor.

H 12: **Mike Chakarun**, Idaho State Tax Commission, presented **H 12**. This bill makes technical corrections to the Idaho Sales Tax Act, updating the sales and use tax exemption for food purchased with federal food stamps, now called the federal Supplemental Nutrition Assistance Program (SNAP). Further clarified is the exemption of tax for military members and accompanying spouses for certain articles purchased prior to receipt of orders transferring them to Idaho.

MOTION: **Rep. Dayley** made a motion to send **H 12** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Dayley** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 23, 2013

SUBJECT	DESCRIPTION	PRESENTER
<u>H 13</u>	Duty to Account For and Pay Over Use Tax	Mike Chakarun, Idaho State Tax Commission
<u>H 14</u>	Property Tax Assessment for Low Income Housing	Alan Dornfest, Idaho State Tax Commission
<u>H 15</u>	Clarification within Idaho Sales Tax Act	Mike Chakarun
<u>H 22</u>	Alignment of Reporting and Paying of Idaho Income Tax	Mike Chakarun
<u>H 23</u>	Technical Change Related to Out-of-State Beer Shipments	Mike Chakarun

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Anderson(31)
Vice Chairman Wood(35)	Rep Anderst
Rep Barrett	Rep Dayley
Rep Moyle	Rep Hartgen
Rep Raybould	Rep Kauffman
Rep Denney	Rep Patterson

Rep Trujillo
Rep Burgoyne
Rep Erpelding
Rep Meline

COMMITTEE SECRETARY

Kathleen Simko
Room: EW53
Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 23, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Mike Chakarun, Idaho State Tax Commission; McLean Russell, Idaho State Tax Commission; Alan Dornfest, Idaho State Tax Commission; N. L. Clayville, DFM; Derek Santos, DFM; Benjamin Davenport, Associated Taxpayers of Idaho, Raeleen Welton, Westerberg & Associates; Gloria Totoricaguena, AE/Northwest Grocers; Bill Roden.

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of January 22, 2013. **Motion carried by voice vote.**

H 13: **Mike Chakarun**, Tax Policy Manager, Idaho State Tax Commission presented **H 13** which would amend the Sales Tax Act. There is ambiguity in the current statute as to whether the responsibility for use tax is the same as sales tax.

There was a concern voiced by the committee that this bill would allow the opportunity for Idaho State Tax Commission to 'pierce the corporate veil' for payment of debt. Mr. Chakarun deferred to **Ted Spangler**, Idaho State Tax Commission, who stated that the concept of liability for both federal and state tax debt is an exception to the limited liability protection typically covering Limited Liability Companies (L.L.C).

Within the Tax Commission, the Income Tax Act was created first and the language in the subsequent Sales Tax Act was incorporated by reference. The specific mention of use tax is necessary to clarify ambiguity. In response to questions on the fiscal impact, **Mr. Spangler** responded that they have been collecting use tax. However, this amendment would eliminate the potential that use tax owed could be challenged through the courts.

MOTION: **Rep. Moyle** made a motion to **HOLD H 13** in committee at the Call of the Chair. **Motion carried by voice vote.**

H 14: **Alan Dornfest**, Idaho State Tax Commission, presented **H 14**. This bill would correct how county assessors make assessments for property tax purposes on low-income, Section 42, housing.

MOTION: **Rep. Anderst** made a motion to send **H 14** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

H 15: **Mike Chakarun**, Idaho State Tax Commission, presented **H 15** which clarifies the intent of the words 'primary' and 'primarily' used throughout the Idaho Sales Tax Act but are not defined in the statute. This change would eliminate confusion and uncertainty in determining whether property is subject to tax.

- MOTION:** **Rep. Raybould** made a motion to send **H 15** to the floor with a **DO PASS** recommendation, with a correction of the word 'individual' in the Statement of Purpose. **Motion carried by voice vote.** **Rep. Trujillo** will sponsor the bill on the floor.
- H 22:** **Mike Chakarun**, Idaho State Tax Commission, presented **H 22**. He said large employers in Idaho that utilize a split monthly filing for payroll must remit income tax withheld that is not congruent with the calendar tax year. This bill would align the reporting and remitting of Idaho income tax that is withheld in the same reporting period as employee W-2 forms.
- MOTION:** **Rep. Erpelding** made a motion to send **H 22** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Erpelding** will sponsor the bill on the floor.
- H 23:** **Mike Chakarun**, Idaho State Tax Commission, presented **H 23** which is a technical change on reporting of out-of-state shipments of beer.
- MOTION:** **Rep. Trujillo** made a motion to send **H 23** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:43 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary